MEDPAC Medicare Payment Advisory Commission

MEETING BRIEF

September 11-12, 2003

Work plan: Assessing payment adequacy and updating payments for physician services

ISSUE: What is the appropriate level for Medicare's payment rates for physician services? How much is the cost of providing physician services expected to change during the coming year?

KEY POINTS: For the March 2004 report, the Commission will assess the adequacy of physician payments and recommend an update for calendar year 2005. Last year, this assessment included a review of several indicators to determine whether current payments are adequate relative to efficient providers' costs, including:

- entry and exit of providers, measured by the number of physicians billing Medicare and the number of physicians signing participation agreements;
- beneficiaries' access to care, based on data from MedPAC's survey of physicians and comparisons of Medicare and private health insurers' payment rates for physician services;
- changes in the volume of physician services; and
- input price changes for physician services, as measured by the Medicare Economic Index, and productivity growth.

To enhance our payment adequacy assessment, staff propose to conduct several additional analyses. Topics include:

- physician willingness to provide services to Medicare beneficiaries;
- physician incomes; and
- beneficiaries' access to physician services.

For these analyses, we will use data from several sources, including surveys conducted by physician organizations, the Bureau of Labor Statistics, and the National Center for Health Statistics, and quick turnaround market survey data collected under a MedPAC contract.

ACTION: At this meeting, staff will summarize plans to prepare the physician update chapter for the March 2004 report.

STAFF CONTACT: Cristina Boccuti (202-220-3705) and Kevin Hayes (202-220-3716)

MEDPAC Medicare Payment Advisory Commission

MEETING BRIEF

September11-12, 2003

Determinants of increases in Medicare expenditures for physicians' services

ISSUE: Under the Balanced Budget Refinement Act of 1999 (BBRA), Congress mandated that the Department of Health and Human Services conduct a study on factors affecting Medicare beneficiaries' use of physician services. MedPAC is required to evaluate the study and make any recommendations it deems appropriate.

KEY POINTS: The RAND Evidence-Based Practice Center, under contract to the Agency for Healthcare Research and Quality (AHRQ), assessed changes in Medicare expenditures for physician services between 1993 and 1998. They estimated the effects of changes in demographics, case-mix, and sites of service delivery on the use of services over time using survey and medical claims data about Medicare beneficiaries. Drawing upon expert clinical opinion, they accounted for changes in service use which might be due to changes in technology, productivity, and other factors. Researchers modeled the volume of service, measured in RVUs, used by individual beneficiaries in 1993 as a function of beneficiary characteristics, then used the estimated coefficients to predict service volume in future years. They compared the total predicted growth to actual growth to see how much of the change in volume could be attributed to the demographic and case-mix factors in the model.

Key results include:

- The per capita volume of physicians' services used by Medicare beneficiaries increased by more than 30 percent between 1993 and 1998.
- Changes in demographics and observable health status among beneficiaries in 1998 did not explain the volume increase.
- Fifty-eight percent of the total difference in RVU use was due to increased use of codes that existed in 1993; forty-two percent of the difference was attributed to the use or new or updated codes.
- With few exceptions, service use related to diseases where technological changes affected patterns of care did not increase more rapidly than use related to other diseases or conditions. Exceptions were strokes, osteoporosis, and unspecified heart conditions which did show greater than expected increases in RVU use compared to other conditions.
- The model could not definitively explain changes in use of services and concluded that the main driver of increases in volume and intensity of service use was a general increase in the use of care by all categories of beneficiaries.

ACTION: Commissioners should discuss this report and consider any recommendations they wish to make based upon this study. Commissioners received the executive summary of the report in their mailing materials. We can forward the full report (89 pages) upon request. Staff will present ideas for MedPAC's response to the study.

STAFF CONTACT: Kevin Hayes (202-220-3716) or Joan Sokolovsky (202-220-3720)